

COUNTRY RISK WEEKLY BULLETIN

NEWS HEADLINES

WORLD

Sovereign wealth fund's AUM at \$7 trillion at end-March 2016

Research provider Preqin indicated that sovereign wealth funds (SWF) had \$6.51 trillion in assets under management (AUM) at the end of March 2016, constituting an increase of 3.2% from \$6.31 trillion at end-March 2015, and compared to \$5.38 trillion at end-2013, \$4.62 trillion at end-2012, \$3.95 trillion at end-2011 and \$3.59 trillion at end-2010. It said that SWF's assets rose by about \$200bn since March 2015 despite the drop in global prices of oil and other commodities, which caused some funds to lose assets. It attributed the increase in AUM to continued funding from governments and reserves, as well as to investment returns. Preqin said that AUM in 45% of SWFs rose between March 2015 and March 2016, those in 36% of SWFs decreased and those in 19% of SWFs were unchanged during the covered period. It noted that Norway's Government Pension Fund Global is still the largest sovereign wealth fund in the world, with \$835bn in AUM, an increase from \$818bn last year. Further, 82% of SWFs have invested in fixed income so far this year, while 80% invested in public equities, 62% in both infrastructure and real estate, 55% in private equity, 47% in natural resources, 35% in private debt and 32% in hedge funds.

Source: Preqin

EMERGING MARKETS

Remittance inflows to rise by 4% to \$448bn in 2016

The World Bank projected remittance inflows to developing economies at \$447.9bn in 2016, which would constitute an increase of 3.8% from an estimated \$431.6bn in 2015. It expected remittance inflows to developing economies to increase by 4% to \$465.7bn in 2017, and by 4.1% to \$484.7bn in 2018. It noted that the increase in remittance inflows to developing economies is due to improved economic activity in the U.S., the Eurozone and Russia. But it considered that the volatility in oil prices constitutes a major downside risk to the remittances forecast. It cautioned that slower growth in high-income countries, which are the principal sources of remittances to developing economies, could weaken remittance flows. Further, it said that inflows to developing economies would account for 74.3% of global remittance flows in 2016, nearly unchanged from 74.2% in 2015. It forecast inflows to the East Asia & Pacific region to reach \$131bn in 2016 and to account for 29.2% of remittance flows to developing economies, followed by South Asia with \$123.3bn (27.5%), Latin America & the Caribbean with \$69.3bn (15.5%), the Middle East & North Africa region with \$51.6bn (11.5%), Sub-Saharan Africa with \$36.4bn (8.1%) and Europe & Central Asia with \$36.3bn (8.1%). Also, it forecast the growth rate of remittance inflows to Europe & Central Asia at 5.1% in 2016, followed by South Asia at 4.6%, Latin America & the Caribbean at 3.9%, Sub-Saharan Africa at 3.4%, East Asia & Pacific at 3.2% and the Middle East & North Africa region at 2.6%.

Source: World Bank, Byblos Research

MENA

Capital inflows to grow by 27% to \$104bn in 2016

The Institute of International Finance projected total non-resident private capital inflows to the Middle East & Africa (ME&A) region at \$104bn in 2016, which would constitute a rise of 26.8% from \$82bn in 2015 and a decrease of \$3bn from its January forecast. The IIF anticipated net private capital inflows to the ME&A region to account for 18.6% of total net private inflows to emerging markets in 2016, down from 34.2% last year. It forecast net direct investment to grow from \$32bn in 2015 to \$35bn in 2016, while it projected inflows from portfolio investments to decrease from \$13bn last year to \$10bn this year. Further, it expected net commercial bank lending to reach \$40bn this year relative to \$24bn in 2015, while it estimated net non-bank private lending to improve from \$13bn in 2015 to \$19bn in 2016. In parallel, the IIF forecast resident private capital outflows from the ME&A region to regress from \$119bn in 2015 to \$54bn in 2016, due to a shift in resident lending from outflows of \$65bn in 2015 to inflows of \$1bn in 2016. Overall, it expected net capital flows to the ME&A region to shift from net outflows of \$30bn in 2015 to net inflows of \$62bn in 2016, and to shift from net outflows of \$19bn last year to net inflows of \$62bn this year when including errors and omissions.

Source: Institute of International Finance, Byblos Research

Higher country risk level in Arab world in first quarter of 2016

The Euromoney Group's quarterly survey on global country risk shows that the risk level in the Arab world increased in the first quarter of 2016, as the average score of 19 Arab economies reached 39.5 points in the covered quarter compared to 39.9 points in the fourth quarter of 2015. The region's risk level remains higher than the global risk level that averaged 42.8 points in the first quarter of the year. The GCC countries' average score regressed to 62.6 points from 63.6 points in the preceding quarter, which reflects an increase in the region's risk level, while the average score of non-GCC Arab countries was nearly unchanged quarter-on-quarter at 28.8 points in the first quarter of 2016. The Arab world's Political Risks level stood at 11.79 points, which was riskier than the global average of 13.74 points; while the Economic Performance score of 12.94 points was below the global average of 13.38 points. Further, the region's Credit Ratings averaged 2.86 points relative to the global average of 3.12 points; while the Access to Bank Finance & Capital Markets score was 3.43 points, worse than the global average of 3.8 points. Qatar had the best country risk rating in the Arab world and the 20th best globally, followed by the UAE (28th), Kuwait (29th), Oman (38th) and Saudi Arabia (43rd); while the riskiest countries in the region were Yemen, that came in 160th place, followed by Mauritania (162nd), Sudan (165th), Syria (175th) and Djibouti (183rd).

Source: Euromoney Group, Byblos Research

OUTLOOK

EMERGING MARKETS

Growth at 4% in 2016, major risks ahead

The International Monetary Fund projected real GDP growth in emerging markets and developing economies at 4.1% in 2016, down from its January forecast of 4.3%. It indicated that its growth projection reflects weaknesses in oil-exporting countries, a moderate slowdown in China's economic activity and a weak outlook for exporters of non-oil commodities. It added that the positive impact of lower oil prices on domestic demand and economic activity in oil-importing emerging markets is offset by tighter financing conditions and weak external demand.

The Fund projected economic growth in Emerging & Developing Asia at 6.4% in 2016, up from its 6.3% forecast in January 2016. Also, it lowered its projection from 4% to 3% in 2016 for Sub-Saharan Africa due to lower commodity prices and tighter global financing conditions. It also reduced its forecast to 2.9% from 3.5% for the MENA region, as lower oil prices and intensifying conflicts and security risks continue to weigh on the outlook. In contrast, it raised its growth forecast for Emerging & Developing Europe to 3.5% in 2016 from 3.1% previously, as activity in the region has benefited from lower oil prices and the gradual recovery in the Eurozone. In parallel, the IMF expected economic activity in the Commonwealth of Independent States countries to contract by 1.1% in 2016, and projected output to shrink by 0.5% in Latin America & the Caribbean.

The IMF indicated that risks to the near-term outlook include a decline of capital flows to emerging market economies, as well as a sharper-than-expected slowdown in China that could have global spillovers through trade, commodity prices, and confidence. Also, it noted that other risks consist of growing concerns in countries that are heavily dependent on hydrocarbon exports; more extended recessions in emerging market economies that are currently experiencing distress such as Brazil and Russia; and the escalation of ongoing geopolitical tensions. It noted that perceptions of limited policy space to respond to negative shocks are exacerbating concerns about the materialization of these risks.

Source: International Monetary Fund

UAE

Fiscal deficit to widen to 7.4% of GDP in 2016

The Institute of International Finance projected real GDP growth in the UAE to decelerate from 3.5% in 2015 to 3% in 2016 due to a slowdown in hydrocarbon sector activity. It noted that the country has been resilient to the impact of lower global oil prices, given its relatively diversified economy, excellent infrastructure, political stability and ample foreign assets. It forecast hydrocarbon output to expand by 2.4% in 2016 compared to a growth rate of 4% last year, and for non-hydrocarbon growth to be unchanged at 3.3% in 2016, as a pickup in private sector growth would offset the negative impact of the decline in public spending.

The IIF projected the UAE's fiscal deficit to widen from 3.8% of GDP in 2015 to 7.4% of GDP in 2016, as savings from reduced spending would not offset the sharp decline in global oil prices from an average of \$53.4 p/b in 2015 to \$40 p/b in 2016. It indicated that the UAE has implemented aggressive policies actions to limit the deterioration in the fiscal balance, as authorities can-

celed low-priority projects, deregulated fuel prices in August 2015, reduced electricity subsidies and contained the public-sector wage bill. It anticipated these measures and the mobilization of additional non-oil revenues to reduce the UAE's fiscal breakeven oil price from \$80 p/b in 2014 to \$62 p/b in 2016. It said that additional measures to support the fiscal position, if oil prices remain subdued beyond 2016, include the gradual reduction of social benefits, the introduction of a value-added tax in early 2018, broadening the corporate income tax, and the privatization of public-sector assets.

In parallel, the IIF forecast the current account balance to shift from a surplus of 0.9% of GDP in 2015 to a deficit of 1.8% of GDP in 2016; and for net external assets to decline from \$673bn, or 188% of GDP, in 2015 to \$667bn, or 189% of GDP, in 2016.

Source: Institute of International Finance

AFRICA

Risks to economic outlook tilted to the downside

The World Bank projected economic growth in Sub-Saharan Africa (SSA) at 3.3% in 2016 relative to an estimated growth rate of 3% in 2015. It attributed SSA's subdued activity to low and volatile commodity prices. It noted that economic performance varies significantly across SSA, with the slowdown in activity concentrated among the region's largest commodity exporters. It anticipated foreign currency restrictions in Nigeria to continue to weigh on economic activity, which would worsen the impact of low commodity prices on the economy. It added that low oil prices, a weak investment climate and rising inflation rates would affect Angola's real GDP growth. In addition, it projected growth to decelerate in the Democratic Republic of Congo, as the copper sector continues to struggle and political uncertainty weighs on investor sentiment. In contrast, it expected economic growth to rise moderately in Ghana, driven by improving investor sentiment, the launching of new oilfields and better electricity supply. Also, it anticipated that an improved investment climate and strong domestic demand would keep growth in Côte d'Ivoire at high levels.

The Bank considered that the prospects for a significant pick-up in private consumption among oil exporters is weak in the near term, as subsidy cuts and currency depreciation would weigh on consumers' purchasing power. Further, it expected weak investment growth among oil and large mineral exporters due to low commodity prices, a slower Chinese economy and adverse domestic policies. In contrast, it anticipated non-commodity exporters to continue to finance infrastructure projects through public-private partnerships and grants.

The Bank indicated that risks to the outlook are tilted to the downside and include a sharper-than-expected slowdown in China, weaker-than-expected growth in the Eurozone, further decline in commodity prices, tighter global financing conditions, delays in implementing the necessary adjustment to the export price shock in affected countries, worsening drought conditions, and political and security uncertainties. It pointed out that key policy challenges consist of adjusting to a lower level of commodity prices, addressing economic vulnerabilities, and developing new sources of sustainable and inclusive growth.

Source: World Bank



ECONOMY & TRADE

SAUDI ARABIA

Foreign borrowing to increase financial flexibility

Fitch Ratings indicated that Saudi Arabia's decision to borrow \$10bn from foreign banks reflects the pressure on its fiscal balance from lower global oil prices. It said that Saudi Arabia has reportedly agreed on a five-year \$10bn loan from a group of banks in the United States, Europe and Asia. It noted that demand for the syndicated loan was strong and that the loan will be the Kingdom's first international borrowing since 1991. It added that authorities are planning an international bond issuance during the year. It expected the government debt level to rise from 1.5% of GDP in 2014 to 9.4% of GDP by 2017 when taking into account domestic issuance and international borrowing. But it noted that the debt level would still be significantly below the median ratio of 37% of GDP among sovereigns rated in the 'AA' category. Further, it said that the government would finance a large share of its needs through foreign financial assets. It considered that international borrowing would increase financing flexibility at a time when the kingdom's fiscal and external balance sheets are still strong, and would limit the depletion of its external buffers. It forecast Saudi Arabia's sovereign net foreign assets to decline from 113% of GDP in 2014 to 78% of GDP in 2017 due to declining foreign assets and rising debt. It noted that Saudi Arabia's net foreign asset position would still be strong, but would be less than half the ratio of Kuwait, Abu Dhabi and Qatar.

Source: Fitch Ratings

EGYPT

External financial support avoids need for IMF program so far

Citi considered that Egypt has not yet approached the International Monetary Fund for a financing package because the government has been able to borrow from the domestic banking sector to fund its fiscal deficit. But it noted that it is uncertain when the size of the domestic debt stock would force authorities to reach an agreement with the IMF. In addition, it said that the substantial flow of external funding from GCC countries since 2013 has reduced Egypt's need to seek support from the Fund. It indicated that financial support from Gulf countries declined in 2015, mainly due to the drop in oil prices, which significantly widened Egypt's current account deficit and which may force Egyptian authorities to approach the IMF. But it noted that the government borrowed from new external sources to fund the deficit. It anticipated that Egypt would continue to diversify its external funding sources this year, but it noted that the level of funding it will receive from GCC countries and other sources is uncertain. As such, it considered that the debate about whether Egypt needs an IMF program would continue during this year, and that the factors that would trigger a deal with the Fund remain hard to predict. In parallel, Citi indicated that Saudi Arabia's financial support to Egypt could shift from grants to loans or foreign direct investment, such as the five year deal to supply petroleum products to Egypt. It noted that the resumption of inflows from GCC countries would facilitate the financing of a current account deficit of about 4% to 5% of GDP during the 2016-17 period, and would limit the depreciation of the pound. However, it said that GCC countries are pushing Egypt to implement additional reforms for them to disburse additional funds.

Source: Citi

BAHRAIN

Lower oil prices and fiscal consolidation to slow growth

The Institute of International Finance projected Bahrain's real GDP growth to decelerate from 2.9% in 2015 to 2.3% in 2016 due to lower global oil prices and fiscal consolidation. It projected non-hydrocarbon sector activity to slow down from 3.9% in 2015 to 2.6% in 2016 due to fiscal consolidation, weaker investor confidence, tightening credit conditions and slower activity in Saudi Arabia. It anticipated growth to be supported by manufacturing, transportation and financial services, as well as by projects financed by lending from GCC donors. It expected hydrocarbon output to grow by 1.2% in 2016 following a contraction of 0.9% last year. It noted that risks to the outlook include a deterioration in security conditions and an extended period of low oil prices. In parallel, the IIF projected Bahrain's fiscal deficit to widen from 14.5% of GDP in 2015 to 15.3% of GDP in 2016 due to lower hydrocarbon receipts and slow fiscal adjustment. It considered that the current fiscal policy would be insufficient to narrow the fiscal deficit to sustainable levels in coming years. Also, it forecast the public debt level to rise from 59.4% of GDP in 2015 to 73.6% of GDP in 2016 and to about 100% of GDP by 2020. Further, the IIF projected the current account deficit to widen from 2.9% of GDP in 2015 to 7.7% of GDP this year, while it expected public foreign assets to drop from \$6.9bn, or 4.1 months of imports, at the end of 2015 to \$5.87bn, or 3.4 months of imports at end-2016. The IIF considered that the peg's credibility could increasingly be tested in the absence of a more decisive fiscal adjustment.

Source: Institute of International Finance

CÔTE D'IVOIRE

Strong investor interest and public investment to support growth

BMI Research projected Côte d'Ivoire's real GDP to grow by 8.5% in 2016 and 7.9% in 2017 compared to a growth rate of 9.5% in 2015, making Côte d'Ivoire one of the fastest growing economies in Sub-Saharan Africa. It expected growth to be supported by private consumption, as well as by private and public investment. It noted that increasing wealth and a low and stable inflation rate encourage consumer spending. It said that pro-business reforms and infrastructure investment, in addition to monetary stability and low inflation rates have positioned the country as a regional hotspot of investor interest. Further, BMI Research projected Côte d'Ivoire's fiscal deficit at 3.4% of GDP in 2016, unchanged from 2015, but wider than the annual average deficit of 2.1% of GDP during the 2005-14 period. It noted that the wider deficit reflects rising public spending, as the government targets growth-generating infrastructure projects and announces policies to alleviate poverty. It added that lower cocoa and oil exports would constrain public revenues. It said that the government intends to finance its deficit through the issuance of about \$2bn in Eurobonds and Sukuk. It considered that that the country's external debt level is manageable at about 40% of GDP. In parallel, BMI Research forecast the current account deficit to widen from 2.2% of GDP in 2015 to 4% of GDP in 2016, reaching its highest level in 16 years, due to lower exports and higher imports.

Source: BMI Research



BANKING

SUDAN

Loans & advances up by 21% in 2015, construction sector accounts for 18% of overall lending

The consolidated balance sheet of commercial banks operating in Sudan shows that total assets reached SDG108.94bn, or about \$18bn at the end of 2015, constituting an increase of 18% from SDG92.3bn at end-2014. Total assets were equivalent to 21.6% of GDP at the end of 2015, nearly unchanged from a year earlier. Loans and advances, excluding central government financing, reached SDG53.5bn or \$8.8bn at end-2015, up by 20.6% from SDG44.3bn at end-2014. Private sector loans accounted for 81.4% of total loans and advances at end-2015, followed by loans to public institutions at 14.8% and those to states & local governments at 3.8%. Loans and advances were equivalent to 10.6% of GDP at the end of 2015, compared to 10.4% of GDP a year earlier. The distribution of loans and advances by sector shows that the construction sector represented SDG9.7bn or 18.1% of the total in 2015, followed by the agriculture sector with SDG8.6bn (16%), the industrial sector with SDG7.7bn (14.3%), local trade with SDG5.9bn (11.1%) and the transport & storage sector with SDG4bn (7.5%). Further, claims to the central government totaled SDG11.2bn or \$1.8bn at the end of 2015, up by 27.6% from SDG9bn at end-2014. In parallel, deposits at commercial banks totaled SDG63.4bn or \$10.4bn at the end of 2015, reflecting an increase of 18.6% from SDG53.5bn a year earlier. Deposits were equivalent to 12.6% of GDP at end-2015 relative to 12.5% a year earlier. The loans-to-deposits ratio was 84.3% at the end of 2015, up from 82.9% a year earlier. Also, commercial banks' aggregate capital reached SDG16.3bn or \$2.7bn at end-2015, up by 10.3% from SDG14.7bn at end-2014.

Source: Central Bank of Sudan, Byblos Research

IRAN

Banking sector to face challenges despite the lifting of sanctions

BMI Research anticipated that Iran's banking sector would benefit from the easing of most economic and financial sanctions on the country. It noted that the lifting of sanctions would help stabilize the banking sector and would allow banks to conduct non-US dollar denominated SWIFT transactions, to raise capital on the international bond market and expand their presence abroad. It projected bank deposits to grow by about 5% in real terms over the next three years, while lending growth would expand as economic activity accelerates. However, BMI Research expected the banking sector to remain in a state of near-crisis over the coming quarters. It said that the NPL ratio at commercial banks is currently at 15.6%, reflecting the depreciation of the Iranian rial, the government's lending directives to support failing enterprises, and the banks' exposure to the domestic real estate sector that entered into a correction phase in 2012. It noted that capital injections by the Central Bank of Iran would help reduce systemic risks in the sector. Further, it expected the banks' profitability to remain subdued in 2016 and 2017, as banks would have to accumulate provisions against the risk of non-repayment of loans. In addition, it said that some of Iran's largest private and state banks remain under sanctions, which reduces the ability of the sector to grow rapidly after the removal of nuclear-related sanctions.

Source: BMI Research

SAUDI ARABIA

Agency takes rating actions on 11 banks

Fitch Ratings downgraded from 'A+' to 'A' the long-term Issuer Default Ratings (IDR) of Al Rajhi Bank (ARB), National Commercial Bank (NCB), Riyadh Bank and SAMBA Financial Group (SAMBA), and from 'A' to 'A-' the IDR of Arab National Bank (ANB) and Banque Saudi Fransi (BSF) and Saudi British Bank (SABB). Also, it affirmed at 'A-' the long-term IDR of Saudi Hollandi Bank (SHB), Saudi Investment Bank (SIB), Alinma Bank and Bank Aljazira (BAJ). It revised the outlook to 'negative' from 'stable' on the long-term IDR of SHB, SIB, Alinma Bank and BAJ, while it maintained the 'negative' outlook on the remaining banks' long-term IDR. Further, Fitch downgraded from 'a' to 'a-' the viability rating (VR) of ARB, NCB, Riyadh Bank, SAMBA, ANB, BSF and SABB, while it affirmed at 'bbb' the VR on SHB and Alinma Bank, at 'bbb-' that on SIB and at 'bb+' the VR on BAJ. The agency indicated that its rating actions follow its downgrade of Saudi Arabia's sovereign ratings from 'AA' to 'AA-' with a 'negative' outlook due to reduced revenues from lower global oil prices. Also, it noted that the downgrades take into account the deterioration in the domestic operating environment, which would weigh on the banks' credit profiles. It said that the operating environment has weakened, as lower government spending is slowing loan growth and is negatively affecting the banks' earnings and profitability. It expected the banks' asset quality to weaken over time, which would lower capital ratios. It added that liquidity in the system declined because of reduced government-linked deposits and an increase in the cost of deposits.

Source: Fitch Ratings

RUSSIA

Banks' asset quality to deteriorate

Standard & Poor's anticipated low global oil prices and a weak Russian ruble to take their toll on the financial health of Russian banks in 2016. It expected the banks' asset quality to continue to deteriorate this year and projected the sector's non-performing loans ratio to be at between 23% and 25% at the end of 2016. It noted that high single-borrower and related-party exposures are worsening asset quality risks for many banks. It anticipated corporate loans, mainly from real estate, construction and trade, to continue to weaken the banks' asset quality this year. It projected credit demand from corporate borrowers to be limited and demand in the retail segment to continue to decelerate. Further, the agency indicated that most Russian banks are not adequately capitalized to meet their elevated provisioning needs and to maintain their credit quality. It noted that banks' weak profitability, as well as the limited capacity of their shareholders to provide additional capital, would not compensate for a fall in capitalization ratios. It considered that authorities would only support large financial institutions through capital injection given the country's weakening fiscal position. Also, S&P indicated that small and mid-size banks would suffer more than larger institutions from deposit outflows and rapidly deteriorating asset quality, which would force consolidation in the sector. As such, it anticipated the Russian banking sector to become more concentrated with a gradual decline in the number of banks in coming years.

Source: Standard & Poor's

ENERGY / COMMODITIES

Market oversupply to narrow in second half of 2016

ICE Brent crude oil front-month prices closed at \$45.8 per barrel (p/b) on April 20, 2016, constituting an increase of 4% from the preceding day and a rise of about 23% from the end of 2015. The increase in oil prices followed an International Energy Agency (IEA) report that showed a decline in U.S. oil production and a nearly 80% drop in U.S. drilling rigs from their October 2014 peak. Also, oil supply disruptions from Kuwait from a three-day labor strike, signs of economic stabilization in China and a weaker US dollar supported the increase in prices. Further, the failure of OPEC and non-OPEC producers to reach a deal to freeze output at the January 2016 level did not have a significant impact on prices. In parallel, the IEA projected oil prices to rise in the second half of 2016, as further declines in non-OPEC output and rising global demand would lead the market closer to balance. Brent crude oil prices are forecast to average \$46 p/b in the fourth quarter of 2016 relative to an average of \$36.5 p/b so far this year, and are projected to rise to \$52 p/b in 2017. Downside risks to the price outlook include the failure of OPEC members to reduce their production quota on their June 2, 2016 meeting, given that the ongoing tensions between Saudi Arabia and Iran would prevent a political consensus.

Source: Danske Bank, IEA, Byblos Research

Planned investments in MENA energy projects at \$611bn between 2016 and 2020

Total planned investments in the MENA region's energy sector are estimated at \$611bn during the 2016-20 period. The power sector would account for \$194bn, or 31.8% of total upcoming energy investments, followed by the oil sector with \$190bn (31.1%), the gas sector with \$149bn (24.4%) and the petrochemical sector with \$78bn (12.8%). In parallel, Saudi Arabia is expected to lead the region with \$102bn in planned investments or 16.7% of the total, followed by Iran with \$71bn (11.6%) and Egypt with \$60bn (9.8%).

Source: APICORP Energy Research, Byblos Research

OPEC's oil basket price up 21% in March 2016

The oil reference basket price of the Organization of the Petroleum Exporting Countries reached \$34.65 per barrel (p/b) in March 2016, constituting an increase of 20.6% from \$28.72 p/b in February. Abu Dhabi's Murban crude oil posted the highest price among the basket's components at \$40.01p/b in March, followed by Algeria's Saharan Blend at \$39.41 p/b and Nigeria's Bonny Light at \$38.53p/b. In parallel, all 13 prices included in the OPEC reference basket increased last month.

Source: OPEC, Byblos Research

Renewable energy investments in the ME&A region at \$13bn in 2015

Figures released by the International Renewable Energy Agency show that the Middle East & Africa region's investments in renewable energy reached \$12.5bn in 2015, up by 58% from \$7.9bn in 2014, and equivalent to 4.4% of global energy investments. The region's renewable energy generation capacity totaled 54.2 gigawatts (GW) at the end of 2015, up by 6.9% from 50.7 GW a year earlier. Hydropower accounted for 84% of the region's renewable energy capacity in 2015, followed by wind energy with 6.2% and solar energy with 6.1%.

Source: IRENA, Byblos Research

Base Metals: Steel prices down 61% so far in 2016

The London Metal Exchange steel billet cash price reached a near record low to close at \$76 per ton on April 20, constituting a decrease of 61.4% from \$197 per ton at the end of 2015. The drop in prices was attributed to weaker demand from China, the world's largest consumer for the metal, as well as weak iron ore prices and an abundance of steel supply. China's steel production reached a record-high of 70.65 million tons in March 2016, which encouraged it to export its production surplus at discounted prices. China is currently the world's top producer of steel and accounts for about 45% of global supply. In parallel, global steel demand is expected to shrink by 0.8% to 1.49 billion tons in 2016, following a contraction of 3% in 2015. Steel demand in China is forecast to drop by 4% to 645.4 million tons in 2016 relative to a contraction of 5% in 2015, due in part to a slowdown in the local economy. Further, the slowdown in China's construction activity is weakening the manufacturing sector, mainly metal products, and leading to a slower growth in the automotive industry. The global steel market is expected to start rebalancing from 2018 onwards as China's plan to reduce its production capacity comes into force.

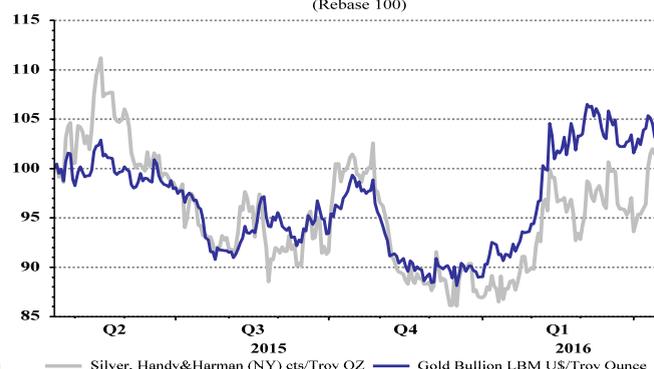
Source: World Steel Association, Coface, Byblos Research

Precious Metals: Gold prices could increase to \$1,400 an ounce during 2016

Silver prices reached an 11-month high to close at \$17.2 per troy ounce and gold prices closed at \$1,254.8 an ounce on April 20, ahead of a European Central Bank meeting. Both metals are seen as safe-haven investments in uncertain times. The increase in prices was also driven by a weaker US dollar and by rising optimism over the Chinese economy. The US dollar Index weakened in recent weeks because of rising market expectations that the U.S. Federal Reserve will not raise interest rates in the short term. Gold prices are expected to remain volatile in the short term due to persistent market uncertainties, and are forecast to trade between \$1,150 a troy ounce and \$1,400 an ounce in 2016. Gold prices may rise to as high as \$1,400 an ounce over the next 12 months because of rising investor concerns about the efficacy of central banks' monetary policies to sustain growth. It added that gold could be increasingly used to diversify investment portfolios when investors' confidence in U.S. financial assets is being challenged. Upside pressure on gold prices include concerns about the economic slowdown in China, volatility in equity markets, further US dollar weakness, delayed increase in U.S. interest rates and rising geopolitical risks.

Source: BNP Paribas, Bloomberg, Byblos Research

Gold vs. Silver Prices
(Rebase 100)



Source: Thomson Reuters Datastream, Byblos Research



COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central govt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Africa													
Algeria	-	-	-	-	BB+	-12.2	25.4	3.6	15.8	-	-	-15.6	1.0
Angola	B	Ba2	B+	-	B+	-1.4	53.0	36.4*	90.8	7.3	14.4	-5.6	2.0
Egypt	B-	B3	B	B-	B-	-10.3	92.7	20.7	154.6	10.0	302.8	-3.8	2.6
Ethiopia	B	B1	B	-	B+	-2.8	23.5	25.4*	159.6	4.3	634.6	-9.3	4.1
Ghana	B-	B3	B	-	B+	-5.3	72.4	44.3	110.4	10.3	371.8	-7.4	7.7
Ivory Coast	-	Ba3	B+	-	B+	-3.5	45.1	29.0	62.9	2.7	169.6	-2.9	2.9
Libya	-	-	B	-	B-	-47.7	108.8	17.4	38.9	-	-	-44.8	-3.8
Dem Rep Congo	B-	B3	-	-	CCC	0.0	21.5	16.0*	41.6	2.1	6.5	-7.7	4.6
Morocco	BBB-	Ba1	BBB-	-	BBB	-3.5	64.4	32.7	114.4	6.3	185.6	-8.0	4.8
Nigeria	B+	Ba3	BB-	-	BB-	-4.7	13.8	5.6	80.2	0.7	63.2	-3.8	1.2
Sudan	-	-	-	-	CC	-1.3	74.0	43.5	-	-	-	-6.9	1.6
Tunisia	-	Ba3	BB-	-	BB+	-5.5	56.2	84.8	179.6	15.7	423.9	-12.7	4.1
Burkina Faso	B-	-	-	-	B+	-3.0	32.2	23.8*	-	-	-	-7.8	0.8
Rwanda	B+	-	B	-	B+	-3.1	34.8	27.0*	-	-	-	-9.6	3.2
Middle East													
Bahrain	BB	Ba1	BBB-	BBB-	BBB-	-11.3	67.6	159.0	-	24.6	-	-3.3	-0.2
Iran	-	-	-	BB-	BB-	-2.8	16.4	1.9	8.8	-	-	-1.8	-
Iraq	B-	(P)Caa1	B-	-	CC+	-17.5	79.1	54.7	178.3	-	-	-12.4	-
Jordan	BB-	B1	-	BB-	BB+	-3.2	92.5	76.6	187.5	10.5	177.3	-1.4	5.5
Kuwait	AA	Aa2	AA	AA-	AA-	-7.1	12.5	28.9	-	10.5	107.6	-16.5	-8.4
Lebanon	B-	B2	B	B	B-	-8.4	142.2	165.5*	-	23.4	151.1	-16.2	1.3
Oman	BBB	A3	-	A-	BBB	-14.5	10.5	25.3	41.1	5.6	-	-11.8	-1.0
Qatar	AA	Aa2	AA	AA-	AA-	-4.3	44.0	113.7	254.2	24.9	-	-13.6	-1.8
Saudi Arabia	A-	Aa3	AA-	AA-	AA-	-12.7	16.1	17.1	53.5	4.2	-	-11.0	0.8
Syria	-	-	-	-	C	-	-	36.5	-	-	-	-	0.6
UAE	-	Aa2	-	AA-	AA-	-2.1	51.9	48.3	50.9	4.0	-	2.4	1.1
Yemen	-	-	-	-	CCC	-35.3	-	43.9	-	-	197.2	-10.5	-0.2

COUNTRY RISK METRICS

Countries	LT Foreign currency rating					Central gvt. balance/ GDP (%)	Gross Public debt (% of GDP)	External debt / GDP (%)	External debt/ Exports (%)	Debt service ratio (%)	External Debt/ Forex Res. (%)	Current Account Balance / GDP (%)	Net FDI / GDP (%)
	S&P	Moody's	Fitch	CI	IHS								
Asia													
Armenia	-	B1	B+	-	B-	-3.9	48.3	81.6	168.2	23.6	612.8	-6.4	3.8
	-	Stable	Stable	-	Stable								
China	AA-	Aa3	A+	-	A	-2.6	41.0	5.1	21.5	3.9	53.5	2.6	1.7
	Stable	Stable	Stable	-	Stable								
India	BBB-	Baa3	BBB-	-	BBB	-6.0	47.1	22.9	112.4	7.3	156.2	-0.6	1.0
	Stable	Positive	Stable	-	Stable								
Kazakhstan	BBB-	Baa2	BBB+	-	BBB-	-0.2	22.8	127.9	325.8	33.6	824.6	-2.2	3.5
	Negative	CWN**	Stable	-	Negative								
Central & Eastern Europe													
Bulgaria	BBB	Baa2	BBB-	-	BBB-	-1.6	29.6	89.9	135.0	28.0	236.3	0.2	2.5
	Negative	Stable	Stable	-	Stable								
Romania	BBB-	Baa3	BBB-	-	BBB-	-2.6	41.5	49.4	101.0	14.4	224.0	-1.5	1.7
	Stable	Negative	Stable	-	Positive								
Russia	BB+	Baa3	BBB-	-	BB+	-3.9	21.0	40.4	98.2	19.6	150.3	5.4	-1.7
	Negative	CWN**	Negative	-	Negative								
Turkey	BB+	Baa3	BBB-	BB+	BB-	-0.8	32.6	54.4	154.2	19.8	405.8	-4.7	0.7
	Negative	Negative	Stable	Stable	Negative								
Ukraine	CCC	Caa3	CCC	-	B-	-3.7	92.1	139.5	211.4	22.4	663.6	-1.7	1.1
	Negative	Negative	-	-	Stable								

*to official creditors

**Credit Watch Negative

Source: Institute of International Finance; International Monetary Fund; IHS Global Insights; Moody's Investors Service; Byblos Research - The above figures are forecasts for 2016



SELECTED POLICY RATES

	Benchmark rate	Current (%)	Last meeting		Next meeting
			Date	Action	
USA	Fed Funds Target Rate	0.25-0.50	16-Mar-16	No change	27-Apr-16
Eurozone	Refi Rate	0.00	21-Apr-16	No change	02-Jun-16
UK	Bank Rate	0.50	14-Apr-16	No change	12-May-16
Japan	O/N Call Rate	0.00-0.10	15-Mar-16	No change	28-Apr-16
Australia	Cash Rate	2.00	05-Apr-16	No change	03-May-16
New Zealand	Cash Rate	2.25	10-Mar-16	Cut 25bps	28-Apr-16
Switzerland	3 month Libor target	-1.25-(-0.25)	17-Mar-16	No change	16-Jun-16
Canada	Overnight rate	0.50	13-Apr-16	No change	25-May-16
Emerging Markets					
China	One-year lending rate	4.35	17-Dec-15	Cut 25bps	N/A
Hong Kong	Base Rate	0.75	16-Mar-16	No Change	27-Apr-16
Taiwan	Discount Rate	1.50	24-Mar-16	Cut 13bps	30-Jun-16
South Korea	Base Rate	1.50	19-Apr-16	No change	13-May-16
Malaysia	O/N Policy Rate	3.25	09-Mar-16	No change	19-May-16
Thailand	1D Repo	1.50	03-Feb-16	No change	11-May-16
India	Reverse repo rate	6.50	05-Apr-16	Cut 25bps	07-Jun-16
UAE	Overnight repo rate	1.25	17-Dec-15	Raised 25bps	N/A
Saudi Arabia	Reverse repo rate	0.50	16-Dec-15	Raised 25bps	N/A
Egypt	Overnight Deposit	10.75	17-Mar-16	Raised 150bps	28-Apr-16
Turkey	Base Rate	7.50	20-Apr-16	No change	24-May-16
South Africa	Repo rate	7.00	17-Mar-16	Raised 25bps	19-May-16
Kenya	Central Bank Rate	11.50	14-Mar-16	No change	22-May-16
Nigeria	Monetary Policy Rate	12.00	22-Mar-16	Cut 200bps	24-May-16
Ghana	Prime Rate	26.00	21-Mar-16	Raised 100bps	16-May-16
Angola	Base rate	12.00	28-Mar-16	Raised 200bps	25-May-16
Mexico	Target Rate	3.75	01-Apr-16	No change	05-May-16
Brazil	Selic Rate	14.25	02-Mar-16	No change	27-Apr-16
Armenia	Refi Rate	8.25	29-Mar-16	Cut 25bps	17-May-16
Romania	Policy Rate	1.75	31-Mar-16	No change	05-May-16
Bulgaria	Base Interest	0.00	01-Apr-16	No change	02-May-16
Kazakhstan	Repo Rate	17.00	01-Feb-16	Raised 100bps	05-May-16
Ukraine	Discount Rate	19.00	21-Apr-16	Cut 300bps	26-May-16
Russia	Refi Rate	11.00	18-Mar-16	No change	29-Apr-16



Economic Research & Analysis Department
Byblos Bank Group
P.O. Box 11-5605
Beirut - Lebanon
Tel: (961) 338 100
Fax: (961) 217 774
E-mail: research@byblosbank.com.lb
www.byblosbank.com

The Country Risk Weekly Bulletin is a research document that is owned and published by Byblos Bank sal. The contents of this publication, including all intellectual property, trademarks, logos, design and text, are the exclusive property of Byblos Bank sal, and are protected pursuant to copyright and trademark laws. No material from the Country Risk Weekly Bulletin may be modified, copied, reproduced, repackaged, republished, circulated, transmitted, redistributed or resold directly or indirectly, in whole or in any part, without the prior written authorization of Byblos Bank sal.

The information and opinions contained in this document have been compiled from or arrived at in good faith from sources deemed reliable. Neither Byblos Bank sal, nor any of its subsidiaries or affiliates or parent company will make any representation or warranty to the accuracy or completeness of the information contained herein.

Neither the information nor any opinion expressed in this publication constitutes an offer or a recommendation to buy or sell any assets or securities, or to provide investment advice. This research report is prepared for general circulation and is circulated for general information only. Byblos Bank sal accepts no liability of any kind for any loss resulting from the use of this publication or any materials contained herein.

The consequences of any action taken on the basis of information contained herein are solely the responsibility of the person or organization that may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may be discussed in this report and should understand that statements regarding future prospects may not be realized.



BYBLOS BANK GROUP

LEBANON

Byblos Bank S.A.L
Achrafieh - Beirut
Elias Sarkis Avenue - Byblos Bank Tower
P.O.Box: 11-5605 Riad El Solh - Beirut 1107 2811- Lebanon
Phone: (+ 961) 1 335200
Fax: (+ 961) 1 339436

SYRIA

Byblos Bank Syria S.A.
Damascus Head Office
Al Chaalan - Amine Loutfi Hafez Street
P.O.Box: 5424 Damascus - Syria
Phone: (+ 963) 11 9292 - 3348240/1/2/3/4
Fax: (+ 963) 11 3348205
E-mail: byblosbanksyria@byblosbank.com

IRAQ

Erbil Branch, Kurdistan, Iraq
Street 60, Near Sports Stadium
P.O.Box: 34 - 0383 Erbil - Iraq
Phone: (+ 964) 66 2233457/8/9 - 2560017/9
E-mail: erbilbranch@byblosbank.com.lb

Baghdad Branch, Iraq
Al Karrada - Salman Faeq Street
Al Wahda District, No. 904/14, Facing Al Shuruk Building
P.O.Box: 3085 Badalat Al Olwiya – Iraq
Phone: (+ 964) 770 6527807 / (+ 964) 780 9133031/2
E-mail: baghdadbranch@byblosbank.com.lb

Basra Branch, Iraq
Intersection of July 14th, Manawi Basha Street, Al Basra – Iraq
Phone: (+ 964) 770 4931900 / (+ 964) 770 4931919
E-mail: basrabranch@byblosbank.com.lb

UNITED ARAB EMIRATES

Byblos Bank Abu Dhabi Representative Office
Intersection of Muroor and Electra Streets
P.O.Box: 73893 Abu Dhabi - UAE
Phone: (+ 971) 2 6336050 - 2 6336400
Fax: (+ 971) 2 6338400
E-mail: abudhabirepoffice@byblosbank.com.lb

ARMENIA

Byblos Bank Armenia CJSC
18/3 Amiryan Street - Area 0002
Yerevan - Republic of Armenia
Phone: (+ 374) 10 530362
Fax: (+ 374) 10 535296
E-mail: infoarm@byblosbank.com

CYPRUS

Limassol Branch
1, Archbishop Kyprianou Street, Loucaides Building
P.O.Box 50218
3602 Limassol - Cyprus
Phone: (+ 357) 25 341433/4/5
Fax: (+ 357) 25 367139
E-mail: byblosbankcyprus@byblosbank.com.lb

BELGIUM

Byblos Bank Europe S.A.
Brussels Head Office
Rue Montoyer 10
Bte. 3, 1000 Brussels - Belgium
Phone: (+ 32) 2 551 00 20
Fax: (+ 32) 2 513 05 26
E-mail: byblos.europe@byblosbankeur.com

UNITED KINGDOM

Byblos Bank Europe S.A., London Branch
Berkeley Square House
Berkeley Square
GB - London W1J 6BS - United Kingdom
Phone: (+ 44) 20 7518 8100
Fax: (+ 44) 20 7518 8129
E-mail: byblos.london@byblosbankeur.com

FRANCE

Byblos Bank Europe S.A., Paris Branch
15 Rue Lord Byron
F- 75008 Paris - France
Phone: (+33) 1 45 63 10 01
Fax: (+33) 1 45 61 15 77
E-mail: byblos.europe@byblosbankeur.com

SUDAN

Byblos Bank Africa
Khartoum Head Office
Intersection of Mac Nimer and Baladiyya Streets
P.O.Box: 8121 - Khartoum - Sudan
Phone: (+ 249) 1 56 552 222
Fax: (+ 249) 1 56 552 220
E-mail: byblosbankafrica@byblosbank.com

NIGERIA

Byblos Bank Nigeria Representative Office
161C Rafu Taylor Close - Off Idejo Street
Victoria Island, Lagos - Nigeria
Phone: (+ 234) 706 112 5800
(+ 234) 808 839 9122
E-mail: nigeriarepresentativeoffice@byblosbank.com.lb

DEMOCRATIC REPUBLIC OF CONGO

Byblos Bank RDC S.A.R.L
Avenue du Marché No. 4
Kinshasa-Gombe, Democratic Republic of Congo
Phone: (+ 243) 81 7070701
(+ 243) 99 1009001
E-mail: byblosbankrdc@byblosbank.com

ADIR INSURANCE

Dora Highway - Aya Commercial Center
P.O.Box: 90-1446
Jdeidet El Metn - 1202 2119 Lebanon
Phone: (+ 961) 1 256290
Fax: (+ 961) 1 256293

